Supreme Court, U.S.
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No. 93-1186

In The
SUPREME COURT OF THE UNITED STATES
October Term, 1993

OMI HOLDINGS, INC.,
Respondent/Cross Petitioner,
v.
MANILDRA MILLING CORPORATION,
Petitioner/Cross-Respondent,
and **JOHN THOMAS HONAN,**
Cross Respondent,

ON PETITION FOR WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

CROSS-RESPONDENT'S BRIEF IN OPPOSITION

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RULE 29.1 LIST OF PARENT COMPANIES

Manildra Milling Corporation is a wholly owned subsidiary of Honan Holdings, USA, Inc. It has no subsidiaries to list pursuant to Rule 29.1.

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ARGUMENT

I. THIS COURT SHOULD NOT CONSIDER OMI'S WHOLLY NEW ARGUMENT BASED UPON THE ADMINISTRATIVE PROCEDURE ACT.

OMI's petition presents to this Court a brand new argument, never addressed to the trial court or the Court of Appeals for the Federal Circuit. That argument, which is grounded on no authority whatsoever, is that a jury's verdict of patent invalidity should be "equated" to judicial review of the determination of an

administrative agency and therefore made subject to a standard that would require upholding the validity of a patent, absent a finding that its issuance was "arbitrary and capricious."

As discussed below, there is no merit to that argument. But OMI has not even passed the first hurdle to presenting the argument here: OMI failed to raise it at the trial court or appellate level. Indeed, OMI nowhere cited the Administrative Procedure Act, 5 U.S.C. § 551, *et seq.*, ("APA") in the four briefs it filed with the Court of Appeals or in the six post-verdict briefs it filed with the trial court. As this Court has held, it will review arguments not raised before the lower courts only in "exceptional" cases. *Youakim v. Miller*, 425 U.S. 231, 234 (1976). Here, because of the special expertise of the Federal Circuit in matters relating to the patent laws, there are exceptional reasons *not* to consider a newly raised argument with very far-reaching patent law implications that OMI neglected to present to that court.

In any event, OMI's argument for a new standard has no merit.

A. Judicial Determinations of Patent Validity Have Never Been Made Subject to the Standards of the APA.

OMI cites no authority for the proposition that APA standards of review should apply to determinations of patent invalidity, and there is none.

This Court has implicitly rejected OMI's argument on numerous occasions. For example, in the landmark case *Graham v. John Deere Co.*, 383 U.S. 1 (1966), the Court considered the effect of the 1952 amendments to the Patent Act on determinations of obviousness in judicial proceedings. The Court analyzed two patents and, applying judicially developed standards, found both invalid for a lack of obviousness.

By issuing the patents in question, the Patent Office had perforce concluded that the claimed inventions in *Graham* were not obvious,[1] and this Court assumed that the patentee's claimed arrangement was not disclosed in the prior art. 383 U.S. at 24. Nonetheless, the Court concluded that, applying judicially developed standards, the invention was obvious. Nowhere in the decision is there any suggestion that, because a prior ruling of the Patent Office was in issue, the APA's "arbitrary and capricious" standard of review, should apply.

By statute, patents are entitled to a presumption of validity (35 U.S.C § 282), and invalidity must be demonstrated by clear and convincing evidence. *Radio Corp. v. Radio Laboratories*, 293 U.S. 1, 8 (1934); *Amer. Hoist & Derrick Co. v. Sowa & Sons*, 725 F.2d 1350, 1360 (Fed. Cir.), *cert. denied*, 469 U.S. 821 (1984). OMI does not deny that those standards were applied in this case. The jury, the trial judge and the Court of Appeals having found that those standards had been met, no further requirements should have been imposed on Manildra.

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[1] Section 103 of the patent laws, 35 U.S.C. § 103 provided then as it does now:

> A patent may not be obtained although the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious....

B. Even If OMI's Proposed New Standard of Review Were Made Applicable to This Case, It Would Not Cause a Different Result.

OMI admits that its proposed new standard would not apply in cases where the Patent Office did not possess all pertinent prior art when it issued the patent in question. OMI Petition for Certiorari, p. 6. In this case, a great deal of evidence was produced at trial showing prior art not available to the Patent Office. One example was cited by the trial court:

> Substantial evidence exists in the record that Midwest Grains (f/k/a Midwest Solvents) produced a sample of fractionated wheat starch within a short time after being asked to come up with a sample of classified wheat starch. [Manildra Petition for Certiorari p. 44a.]

The jury considered that and other evidence, including the second Yamazaki article, which OMI acknowledges was not before the Patent Office. While OMI believes that that prior art was not probative and did not make the claimed invention obvious, the trier of fact disagreed. Thus, even if the Court were to adopt OMI's proposed new standard of review, it would not change the result in this case.

II. Neither the Federal Circuit Nor the Trial Court Ignored Any Evidence of Infringement.

As it argued strenuously to the jury, OMI insists to this Court that Manildra's product, called M-80, literally infringed the numerical limitations found in the patent. OMI suggests that this evidence was uncontroverted, yet was ignored by the jury, the trial court and the Federal Circuit.

OMI fails to apprise the Court that Manildra's M-80 was a product made by a process found to be different from that in the patents. As the district court stated:

> Substantial evidence was presented during trial that Manildra's product was produced through air classification [as opposed to the patent claims calling for wet classification], thus, failing the second prong of the equivalency test as it relates to the process and product by process claims in issue. [Manildra's Petition for Certiorari, p. 47a.]

And the Federal Circuit concluded:

> [W]e are convinced that there was substantial evidence before the jury that the air classifier in fact plays an integral and important role in Manildra's production.... [*Id.*, p. 13a.]

All the claims in issue, save those anticipated by Yamazaki,[2] contained product-by-process limitations. Consequently, the jury simply found that M-80 was not a product covered by the patent claims and could not infringe, no matter what its size. And, even if M-80 were covered by the claims, the jury heard credible evidence that the production-run tests relied upon by OMI (about 25 out of over 7,600) were simply erroneous, since they differed so radically from the overwhelming number of exculpatory tests and

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[2] Four of the claims of one of the patents specified a wheat starch product of certain size, without regard to how it was made. Evidence at trial showed plainly that the same size starch had been produced many years prior to the patent application; the actual starch was introduced as an exhibit. Consequently, those claims were anticipated and invalid. OMI's argument that the process for making that starch was not commercially sound or the same as subsequently used by Manildra is irrelevant; anticipation of a product patent claim does not require production by any particular method. *See, In re Schoenwald* 964 F.2d 1122, 1124 (Fed. Cir. 1992)

since they were never intended to be done with precision found in a testing laboratory.

CONCLUSION

OMI's proposed new standard for determining patent invalidity was never raised below and should now be barred. The new standard would be inconsistent with all pertinent rulings of this Court since enactment of the APA. Even if the Court were to adopt the new standard, it would not affect the outcome of this case. Finally, OMI's contention that evidence of infringement was "ignored" by the Federal Circuit is incorrect and depends wholly on determinations of fact contrary to those made by the jury.

Respectfully submitted,

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